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National Intelligence Bulletin

State Dept. review completed

NAVY review(s) completed.

DIA review(s) completed.

Top Secret

2 November 1974

Nº 654

Page Denied

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ARAB STATES

The annual \$2.35-billion "war fund" for Egypt, Syria, Jordan, and the PLO, which was established by the oil-rich Arab states at the Rabat summit meeting, nails down financial backing for the next four years for the "front-line" countries abutting Israel.

The \$1 billion to be provided Egypt each year almost equals the annual levels received during the past two or three years. The Rabat agreement, however, provides the long-term financial security that Egypt has been seeking since the October war.

The impact of the subsidy on Egypt's relations with its creditors will be mixed. In the West, most outstanding official debts are covered by long-term agreements that are unaffected by Egypt's financial status. Private lenders, on the other hand, will be impressed by this further evidence of strong Arab backing.

The principal difficulties may come from the USSR; repeated Egyptian postponement of military debt repayment has long been a sore subject. This additional evidence of growing Egyptian affluence may inspire Moscow to press Cairo harder for repayment of some of its \$1.3 billion in military debts.

Syria also is to receive \$1 billion annually--about equal to what it received during the past year. The per capita commitment to Damascus, however, far exceeds that to the other recipients. The new guaranteed payment will reinforce the Syrian financial situation, which has improved as a result of earlier aid and increasing domestic output and exports. If the USSR continues to sell arms on credit, it will permit Syria to channel a sizable portion of the new commitment to economic projects.

The allocation set aside for Jordan is a substantial increase. The \$300-million annual payment is 40 percent more than the Arab states provided Amman during the past year.

The Rabat agreement also recognizes the improved status of the PLO by setting aside \$50 million annually for that organization.

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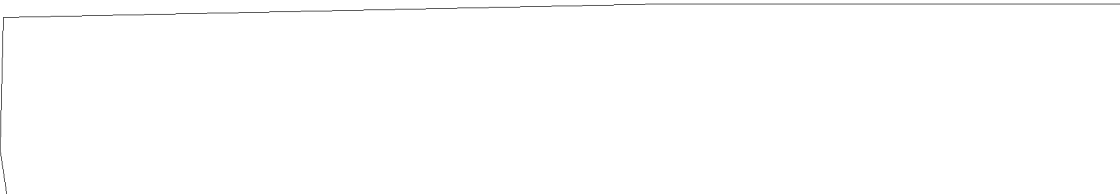
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EGYPT

US and British naval officers have seen Egyptian movements of military equipment in the vicinity of Ismailia, in the northern sector of the Suez Canal, over the past three days. This may represent a buildup of Egyptian forces in anticipation of hostilities, or it may be related to the extensive exercise activity that has been under way in Egypt for over a week. At this time, however, neither Egypt's intention nor the scale of these force movements is clear.

Yesterday, US naval officers saw as many as 80 tanks, most of them covered with camouflage netting, on the outskirts of Ismailia, the first time they had seen tanks there in six months. On Wednesday and Thursday, at least one and perhaps two convoys of 40 vehicles, most pulling artillery, were seen on separate occasions on the Cairo-Ismailia road.

US military and embassy personnel in Egypt have also reported tightened nighttime security measures between Ismailia and Cairo. US personnel are being stopped at each control point, and sometimes have been denied permission to travel in the area at night.



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ITALY

The arrest this week of General Vito Miceli, former head of Italy's principal intelligence and security agency, adds another controversy to Rome's tense political atmosphere.

Miceli is charged with complicity in a plot by right-wing civilian and military elements in 1970 to overthrow the government. He may also be accused of covering up similar schemes reportedly under consideration during the last year.

The move against Miceli grew out of a report turned over to judicial officials by Defense Minister Giulio Andreotti. The intelligence agency is subordinate to the Defense Ministry, and Andreotti's report apparently dealt with the agency's alleged involvement in subversive activities.

Miceli claims that he is innocent and the victim of a "political and judicial" plot.

Whatever the outcome, political considerations almost certainly figured in Andreotti's decision to take a critical look at the intelligence agency. The move was probably calculated to aid efforts by Andreotti--a right-wing Christian Democrat--to mend fences with the Italian left, including left-of-center elements within his own party.

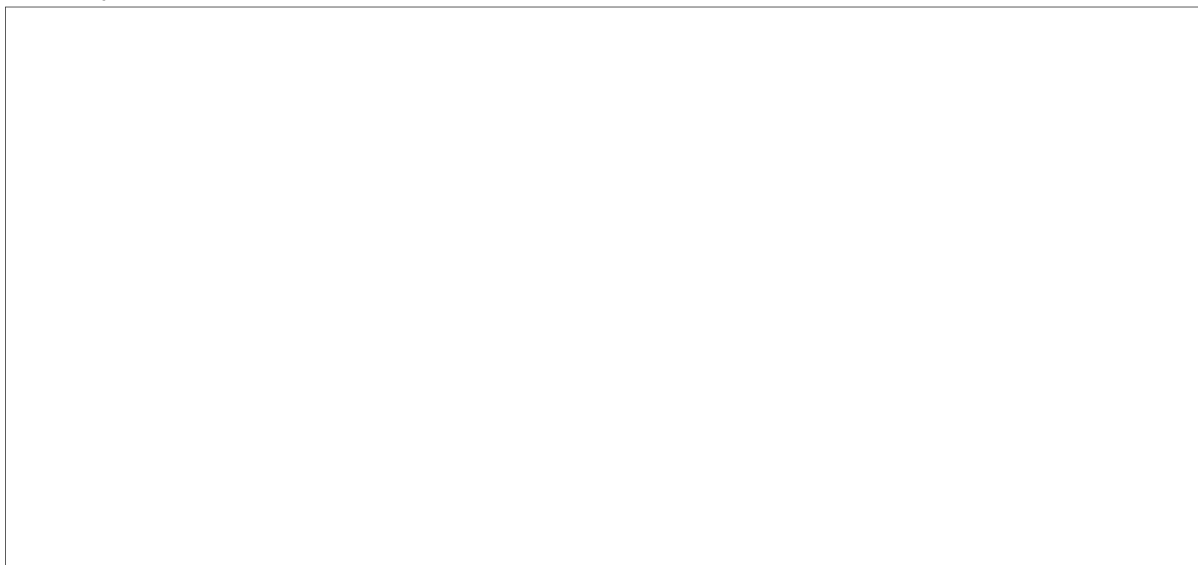
Andreotti may also be settling a political score with Social Democratic leader Tanassi, who was defense minister during the period under investigation. Tanassi torpedoed an effort by Andreotti to put together a center-left coalition in 1970.

Andreotti has been criticized by the left, particularly since 1972 when he agreed to serve as prime minister in a weak coalition that substituted the conservative Liberal Party for the Socialists--the only right-leaning government that Italy has had since the early 1960s. The Christian Democrats have now returned to a

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policy of allying with the Socialists, and Andreotti does not want to be shunted aside because of his right-wing image.

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The US defense attaché in Rome reports that some military leaders are disenchanted and impatient with the political authorities, but at present there is apparently no move afoot to resort to unconstitutional solutions to Italy's problems.

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SOUTH VIETNAM

Saigon was quiet during National Day celebrations yesterday. Catholic dissidents postponed a march on the presidential palace. Buddhist leaders celebrated the holiday with speeches and rallies in their pagodas, calling for continued street demonstrations and for the President's resignation. Smaller demonstrations were conducted in some northern towns, but no violence was reported.

In his National Day address, President Thieu implied that the government would, if necessary, get tougher with demonstrators and blamed much of the recent agitation on the Communists. He indirectly accused the protest groups of actively supporting the Communists and claimed that demonstrations would only encourage the enemy to step up the fighting. The Communists responded on Liberation Radio, labeling the speech a poor effort to blame the Communists for Thieu's own mistakes.

The President promised to continue his campaign to clean up the government and to push for liberalization of restrictions on the press and political parties. He did not announce any new personnel changes.

Appealing for national unity, Thieu urged the population not to join minority elements in protests against the government. Alluding to next year's presidential election, he said it was not important who was president, but only that the country remain in the hands of nationalists who will continue to fight the Communists.

Some Western press reporting has interpreted these remarks to mean that Thieu is considering resignation. Over the years, however, Thieu has often indicated his willingness to step aside if necessary, mainly to show that he is interested primarily in the country's welfare rather than his own.

Thieu also issued a press release quoting President Ford's recent letter affirming US support for South Vietnam. Thieu no doubt hopes the letter will help lessen fears of eventual US abandonment, show that he retains the full confidence of the US, and dispel rumors of secret US support for the dissidents.

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ANGOLA-CABINDA

An outbreak of fighting yesterday in the oil-rich exclave of Cabinda between Cabindan nationalists and the Popular Movement for the Liberation of Angola points to a difficult future for Portugal in its attempt to decolonize Angola. The Portuguese military have now restored order to Cabinda city.

Oil pumped from Cabinda exceeds 150,000 barrels a day and could reach 250,000 barrels by the end of the decade. Portugal would like to retain easy access to this important energy resource. Lisbon, therefore, wants to treat the exclave as a part of Angola and grant independence to the territory as a whole, thus enabling it to deal with a single and favorably disposed national entity.

The future of Cabinda is uncertain, however. The divergencies between and within the liberation movements in Angola assure no early or clear solution to the question of status for the territory and its 100,000 inhabitants. The interest shown in Cabinda by the Congo and Zaire also complicate the issue. These governments support opposing Cabindan liberation groups and nurture a mutual suspicion of the other's designs on the area. Meanwhile, the movement within the exclave for Cabindan independence is gathering strength, and more demonstrations with more violence can be expected.

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ARGENTINA

The assassination yesterday of the country's top police officer, Alberto Villar, is certain to set off more drastic countermeasures against leftist terrorists. The government may implement some sort of state of emergency in accordance with contingency plans reportedly drawn up recently. The Montoneros, a leftist Peronist guerrilla group, reportedly has delivered a communiqué to a Buenos Aires newspaper in which they claimed responsibility for the assassination.

The bomb explosion that killed the federal police chief, his wife, and several bodyguards occurred on a yacht near Buenos Aires. Villar was high on the terrorists' target list because of his close association with presidential adviser Lopez Rega and his alleged involvement with right-wing death squads. Juan Peron brought Villar out of retirement last year to lead the antiguerrilla effort.

Villar's death is another heavy blow to the federal police, which were already weakened by serious problems such as bureaucratic inertia and corruption. Moreover, the terrorists' success in eliminating Villar suggests that the security forces may be penetrated to some extent by subversives.

If the police fail to improve their effectiveness, the military may feel they must take on additional responsibility for combating the terrorists. The assassination campaign directed by left-wing terrorists will continue to serve as a strong provocation to younger groups within the army eager to avenge the deaths of six fellow officers.

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CHILE

The junta and International Telephone and Telegraph have reached a preliminary compensation agreement for the Chilean Telephone Company--an ITT subsidiary seized by the Allende government in 1971. The \$126-million accord must be approved by ITT's board of directors and the Overseas Private Investment Corporation, the US agency that insured the investment. The Chilean minister for economic coordination hopes to secure approval this month. Formal nationalization of the company will be announced simultaneously with the compensation agreement.

The settlement will resolve the last major compensation issue arising from the takeovers by the Allende government. The junta hopes that the settlement, along with recent legislation eliminating most restrictions on foreign investors, will greatly improve the Chilean investment climate, which has received little direct foreign input since the coup. Continuing economic troubles have been a more important factor in investment decisions, however, than uncertainty over the settlement with ITT.

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